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SUBJECT IRAN/ECONOMICS/PIPELINE CONSTRUCTION					

BRIEF (FOR REPORTS OF MORE THAN ONE PAGE. ENTER CAREFUL SUMMARY)

Information on a proposed pipeline from Abadan to Khour-Moussa, its terminus, required investment and expected income.

1. New Iranian Pipeline. The Iranian Government is now planning to build a pipeline from the Abadan Refinery to a new loading terminal to be built at Khour-Moussa, a Persian Gulf port outside the Shatt el-Arab 65 Km from Abadan. The project was decided on because of the limitations in the Shatt el-Arab on movements of larger tankers in the river channel, and the shallow draft at Abadan jetties and at the bar at the mouth of the river.

2. New Terminal. The new terminal will be able to load 16 million tons of finished petroleum products a year together with 250,000 tons of oil in drums and cans. It will also cater for about 150,000 tons of imports each year. Provision has been made for a 50 per cent future extension of the terminal. About 60 per cent of the exports will be black oils (fuel) and 40 per cent white oils (road and aviation petrol, Kerosene, and gas oils). Twenty-nine grades of product will be handled. This will be carried from the Abadan Refinery to the new terminal through 12 lines of pipes ranging from four to 18 inches in diameter. Seven oil loading jetties will be built at the terminal, and there will be space for four more in the future. A farm reservoir of about 100 tanks of varying sizes will be built, with a total capacity of nearly six million barrels. This will cover an area of about 300 hectares (750 acres). An additional area of 100 hectares has been allowed for expansion.

3. Foreign Investment. The whole project will cost about \$100 million, of which about \$35 million will be spent on the pipeline and \$65 million on the terminal. The work is

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expected to take three years. It will be carried out by several British, West German, American, and Italian firms. Iran will not become involved in the capital investment. The entire project will be financed by the Foreign firms, and their investment will be amortised in 10 years. The West German Government has agreed to guarantee 500 million Marks of the West German firms' capital investment. Construction of the pipeline and the new terminal will make Iran fully independent as far as oil transport is concerned. Her dispute with Iraq over water rights and navigation in the Shatt el-Arab remains unsettled. With the completion of the pipeline Iran will become independent of the controversial Shatt el-Arab, tankers loading at the new terminal without having to go through this area.

4. Income. The tolls paid by the tankers to the Basra Port Authority, at the mouth of the river, for going to Abadan amount to about seven million dollars a year, none of which comes to Iran owing to the dispute with Iraq. The tolls will then be collected by Iran at the new terminal, National Iranian Oil Company officials say. As a result construction costs and foreign capital investments should be amortized and in 10 years' time Iran will have the ~~ports~~ entire installations free of charge, as well as a regular annual income of over \$7 million. In addition, she will benefit from the 16 cents a ton difference of posted price of petroleum products between Abadan x and the Persian Gulf. This difference will come to the N.I.O.C.

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